



## 2005 SENATE BILL 724

May 4, 2006 - Introduced by Senators HARSDORF and BROWN. Referred to Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform.

1     **AN ACT to repeal** 13.40; and **to create** 13.488 (8), 18.53 (5), 20.0035, 66.0604 and  
2           227.136 of the statutes; **relating to:** creating a revenue limit for local  
3           governmental units, prohibiting the legislature from passing any bill that  
4           would exceed a revenue limit, returning excess revenue to taxpayers, elector  
5           approval for exceeding the revenue limit, reimbursing the reasonable costs of  
6           imposing state mandates, prohibiting the promulgation of certain rules,  
7           prohibiting the issuance of certain revenue obligations, and standing to bring  
8           a suit to enforce the revenue limits.

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### *Analysis by the Legislative Reference Bureau*

#### ***Revenue limits; local***

This bill provides that, beginning in 2008, a local government may not collect more revenue than the amount it collected in 2007, or, in any subsequent year, than the maximum amount it was permitted to collect in the previous year, both as increased by the lesser of the inflation factor or the income factor, plus (for a special purpose district) the annual percentage increase, if any, in the district's population and plus (for a municipality or county) 67 percent of the annual percentage increase in the value of taxable property that is due to new construction, less the value of taxable property that is removed or demolished. For a technical college district, the limit applies initially to revenues collected in the 2006-07 fiscal year.

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The bill also requires a local governmental unit to return to taxpayers any revenue collected over its limit. A local governmental unit may reduce its limit by majority vote of its governing body, but exceed its limit only with the approval of the electors at a referendum.

***Revenue limits; state***

This bill provides that, beginning with the 2007–08 fiscal year, the legislature may not pass any bill that would result in the collection of more in revenue, in the 2007 fiscal year, than the amount it collected in 2006 fiscal year, or, in any subsequent year, than the maximum amount it was permitted to collect in the previous year, both as increased by the lesser of the inflation factor or the income factor, plus the annual percentage increase, if any, in state population.

Under the bill “revenue” is defined to mean all revenue, except moneys received from the issuance of bonds or from short-term cash borrowing, moneys used to pay the debt service on economic development bonds, one-time grants, interfund transfers, moneys used to pay a settlement or damage award, moneys used for expenses arising from a natural disaster or terrorist attack, or moneys received from the federal government, from gifts, from settlements or damage awards, or from real or personal property sales, from the state or a local governmental unit for providing governmental services for governmental entities, moneys received from certain medical care facilities, from unemployment insurance taxes, from insurance premiums, from public employee or retiree payments for fringe benefits, from governmental property insurance, from investment trusts, from private purpose trusts, from college savings programs, from fees imposed for airport or mass transportation systems, or from tuition or fees imposed for university functions.

The bill also requires that if the revenue received by the state in any fiscal year exceeds the limit, the secretary of administration must deposit into the budget stabilization fund all of the excess revenue, except that the fund’s total may not exceed 8 percent of the state’s revenue in the previous year. If the balance of the fund is at least equal to 8 percent of the revenues received by the state during that fiscal year, the bill requires the legislature to pass a bill to provide that all of the excess revenues must be used for tax relief in the succeeding fiscal year.

The bill further provides that, beginning with the 2007–08 fiscal year, the legislature may not pass any bill that would result in the deposit of more revenue into a segregated fund in a fiscal year than the amount deposited into that fund in the preceding fiscal year, increased by the lessor of the inflation factor or the income factor, plus the percentage increase from the previous year in the population of the state.

***Revenue obligations and certain agreements related to borrowing***

The bill provides that the Building Commission may not authorize money to be borrowed and evidences of revenue obligations to be issued for any purpose other than a purpose specified for public debt under the Wisconsin constitution.

The bill also prohibits the Building Commission from entering into an agreement to refund any type of borrowing if that refunding would increase the state’s debt service obligation in any fiscal year and an agreement or arrangement relating to any type of borrowing unless the financial benefits from that agreement

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or arrangement accrue proportionately over the life of the agreement or arrangement.

***Legislation requiring local mandates***

The bill provides that, beginning with the 2007-08 fiscal year, the legislature may not pass any bill that would increase a local governmental unit's expenditures unless an appropriation is made to pay the reasonable costs incurred by the local governmental unit to comply with the bill. This provision, however, does not apply to any bill that is passed in order to comply with a requirement of federal law, including a requirement related to receiving federal aid.

***Administrative rules***

This bill prohibits an agency from promulgating an administrative rule that increases the expenditures of a local governmental unit, including a technical college district, unless an appropriation is made to pay the reasonable costs incurred by the local governmental unit to comply with the rule.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1           **SECTION 1.** 13.40 of the statutes, as affected by 2005 Wisconsin Act 25, is  
2 repealed.

3           **SECTION 2.** 13.488 (8) of the statutes is created to read:

4           13.488 (8) Beginning on the effective date of this subsection .... [revisor inserts  
5 date], the building commission may not enter into any of the following:

6           (a) An agreement to refund any type of borrowing if that refunding would  
7 increase the state's debt service obligation in any fiscal year.

8           (b) An agreement or arrangement relating to any type of borrowing unless the  
9 financial benefits from that agreement or arrangement accrue proportionately over  
10 the life of the agreement or arrangement.

11           **SECTION 3.** 18.53 (5) of the statutes is created to read:

12           18.53 (5) Beginning on the effective date of this subsection .... [revisor inserts  
13 date], the commission may not authorize money to be borrowed and evidences of

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1 revenue obligations to be issued for any purpose other than a purpose specified under  
2 s. 18.04.

3 **SECTION 4.** 20.0035 of the statutes is created to read:

4 **20.0035 Revenue limits. (1)** In this section:

5 (a) “Income factor” means the percentage that is the average of the annual  
6 percentage increases, if any, in state personal income growth for each of the 3 most  
7 recent years available.

8 (b) “Inflation factor” means the percentage that is the average of the annual  
9 percentage increases, if any, in the consumer price index for Milwaukee–Racine, or  
10 its successor index, for each of the 3 most recent years available.

11 (c) “Local governmental unit” means a county, municipality, special purpose  
12 district, school district, or technical college district.

13 (d) “Municipality” means a city, village, or town.

14 (e) “Population” means annual population estimates adjusted by the most  
15 recent federal decennial census, as determined by the department of administration.

16 (f) “Revenue” means all revenue, except moneys received from the issuance of  
17 bonds or from short-term cash borrowing, moneys used to pay a settlement or  
18 damage award, moneys used to pay the debt service on economic development bonds,  
19 one-time grants, interfund transfers, moneys used for expenses arising from a  
20 natural disaster or terrorist attack, or moneys received from the federal government,  
21 from gifts, from settlements or damage awards, or from real or personal property  
22 sales, from unemployment insurance taxes, from the state or a local governmental  
23 unit for providing governmental services for governmental entities, moneys received  
24 from medical care provided by a facility that is operated by the state, from insurance  
25 premiums, from public employee or retiree payments for fringe benefits, from

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1 governmental property insurance, from investment trusts, from private purpose  
2 trusts, from college savings programs, from fees imposed for airport or mass  
3 transportation systems, or from tuition or fees imposed for university functions.  
4 “Revenue” includes moneys retained by a trustee for the purpose of issuing, or paying  
5 debt service on, revenue bonds.

6 (g) “Special purpose district” means any entity that is authorized to collect  
7 taxes or fees, other than the state, a school district, a technical college district, a  
8 sanitary or sewage district, a county, or a municipality.

9 (2) (a) Subject to par. (b), beginning with the 2007–08 fiscal year, the legislature  
10 may not pass any bill that would result in the collection of more in revenue, in the  
11 2007–08 fiscal year, than the amount it collected in 2006–07 fiscal year, or, in any  
12 subsequent fiscal year, than the maximum amount it was permitted to collect in the  
13 previous fiscal year under this section, both as increased by the lesser of the inflation  
14 factor or the income factor, plus the annual percentage increase, if any, in state  
15 population.

16 (b) The limit under par. (a) for a fiscal year is reduced by the amount of any  
17 reduction in that year in the aggregate amount of state aid to any of the categories  
18 of county, city, village, town, special purpose district, school district, or technical  
19 college district, as compared to the previous fiscal year.

20 (3) (a) If the revenue received by the state in any fiscal year exceeds the limit  
21 under sub. (2), the secretary of administration shall deposit into the budget  
22 stabilization fund all of the excess revenue, except that the fund’s total may not  
23 exceed 8 percent of the state’s revenue in the previous year.

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1 (b) If the balance of the budget stabilization fund on July 1 of a fiscal year is  
2 at least equal to 8 percent of the revenues received by the state during the preceding  
3 fiscal year, the secretary may not make the deposit under par. (a).

4 (c) If the balance of the budget stabilization fund on June 30 of a fiscal year is  
5 at least equal to 8 percent of the revenues received by the state during that fiscal year,  
6 the legislature shall pass a bill to provide that all revenues received by the state in  
7 that fiscal year that exceed the limit under sub. (2) be used for tax relief in the  
8 succeeding fiscal year.

9 (4) The limit under sub. (2) (a) for a fiscal year may be increased if the  
10 legislature adopts a joint resolution providing for an advisory referendum and the  
11 voters approve the increase.

12 (5) Beginning with the 2007–08 fiscal year, the legislature may not pass any  
13 bill that would result in the deposit of more revenue into a segregated fund in a fiscal  
14 year than the amount deposited into that fund in the preceding fiscal year, increased  
15 by the lesser of the inflation factor or the income factor, plus the percentage increase  
16 from the previous year in the population of the state.

17 (6) Beginning with the 2007–08 fiscal year, the legislature may not pass any  
18 bill that would permit moneys in a segregated fund that existed before the 2007–08  
19 fiscal year to be expended for any purpose other than the purpose of the segregated  
20 fund.

21 (7) Beginning with the 2007–08 fiscal year, the legislature may not pass any  
22 bill that would increase a local governmental unit's expenditures unless an  
23 appropriation is made to pay the reasonable costs incurred by the local governmental  
24 unit to comply with the bill. This subsection does not apply to any bill that is passed

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1 in order to comply with a requirement of federal law, including a requirement related  
2 to receiving federal aid.

3 **SECTION 5.** 66.0604 of the statutes is created to read:

4 **66.0604 Revenue limits. (1)** (a) “Income factor” means the percentage that  
5 is the average of the annual percentage increases, if any, in state personal income  
6 growth for each of the 3 most recent years available.

7 (b) “Inflation factor” means the percentage that is the average of the annual  
8 percentage increases, if any, in the consumer price index for Milwaukee–Racine, or  
9 its successor index, for each of the 3 most recent years available.

10 (c) “Local governmental unit” means a municipality, county, special purpose  
11 district, or technical college district.

12 (d) “Municipality” means a city, village, or town, not including a town whose  
13 budgeted revenue is less than \$1,000,000 in 2008 or, in subsequent years, less than  
14 \$1,000,000 increased annually by the inflation factor. A district, utility, or other  
15 entity, not including a lake or sanitary district, that receives moneys from taxes or  
16 fees, and that is created by a city, village, or town, is included as part of the city,  
17 village, or town that created it for purposes of determining the limits under this  
18 section.

19 (e) “Population” means the annual estimate of population adjusted by the most  
20 recent federal decennial census, as determined by the department of administration.

21 (f) “Revenue” means all revenue, except taxes levied by a county for the  
22 purposes of a children with disabilities education board, if the board existed prior to  
23 January 1, 2005, moneys used to pay the debt service on economic development  
24 bonds one-time grants, interfund transfers, moneys received by a local  
25 governmental unit under s. 227.136, moneys received by a local governmental unit

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1 under s. 20.0035 (7), moneys received from the issuance of bonds or from short-term  
2 cash borrowing, moneys used to pay a settlement or damage award, moneys used for  
3 expenses arising from a natural disaster or terrorist attack, or moneys received from  
4 the federal government, from the state or a local governmental unit for providing  
5 governmental services for governmental entities, from gifts, from settlements or  
6 damage awards, or from real or personal property sales, moneys received from the  
7 operation of a telephone, gas, electric, sewerage, or water utility, from insurance  
8 premiums, from public employee or retiree payments for fringe benefits, from  
9 governmental property insurance, from investment trusts, from private purpose  
10 trusts, from fees imposed for airport or mass transportation systems, or from tuition  
11 or fees imposed for technical college functions, or nongovernmental moneys received  
12 from medical care provided by a facility that is operated by an entity that is subject  
13 to the limits imposed under this section. “Revenue” includes moneys retained by a  
14 trustee for the purpose of issuing, or paying debt service on, revenue bonds.

15 (g) “Special purpose district” means any entity that is authorized to collect  
16 taxes or fees, other than the state, a school district a technical college district, a  
17 sanitary or sewerage district, a municipality, a town, or a county.

18 (2) (a) Subject to subs. (3) to (5), a local governmental unit, other than a  
19 technical college district, may not collect more in revenue, in 2008, than the amount  
20 it collected in 2007, or, in any subsequent year, than the maximum amount it was  
21 permitted to collect in the previous year under this section, both as increased by the  
22 lesser of the inflation factor or the income factor, plus:

23 1. For a special purpose district, the annual percentage increase, if any, in the  
24 population of the special purpose district.



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1           2. For a municipality or county, 67 percent of the annual percentage increase,  
2 if any, in taxable property values attributable to new construction, less the taxable  
3 value of any property removed or demolished.

4           (b) Subject to subs. (3) to (5), a technical college district may not collect more  
5 in revenue in the 2006-07 fiscal year than the amount it collected in the 2005-06  
6 fiscal year, or, in any subsequent fiscal year, than the maximum amount it was  
7 permitted to collect in the previous fiscal year under this section, both as increased  
8 by the lesser of the inflation factor or the income factor, plus the annual percentage  
9 increase, if any, in the population of the technical college district.

10           (c) If a town that is not subject to the revenue limit under this section for 2008  
11 becomes subject to the limit after that year, the town's base year revenue amount for  
12 computing the revenue limit for the current year equals \$1,000,000 increased  
13 annually by the inflation factor through the previous year.

14           **(3)** A local governmental unit shall return to the taxpayers any excess revenue.  
15 A refund made under this subsection shall be made in the year immediately following  
16 the year in which the local governmental unit has excess revenue.

17           **(4)** A local governmental unit may reduce its revenue limit by majority vote of  
18 its governing body. A local governmental unit may exceed its revenue limit only with  
19 the approval of the electors of the local governmental unit at a referendum. The  
20 referendum shall specify whether the increase in the revenue limit is on a recurring  
21 or nonrecurring basis.

22           **(5)** A special purpose district may use revenue collected in excess of the limit  
23 imposed under this section to retire or defease debt that was incurred prior to  
24 January 1, 2006.

